

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 NEA-07 ARA-06 EUR-08 AF-04 EA-06
CIAE-00 DODE-00 H-01 INR-05 L-01 NSC-05 NSCE-00 OMB-01
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FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 7363
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY BONN
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
AMCONSUL DHAHRAN
USMISSION OECD PARIS UNN
USMISSION EC BRUSSELS

C O N F I D E N T I A L KUWAIT 1058

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E.O. 11652: GDS
TAGS: ENRG, OPEC, KU
SUBJECT: EFFORTS TO SEEK OPEC OIL PRICE INCREASE COMPROMISE

REF: KUWAIT 1045

1. DURING AN EXTENDED CONVERSATION WITH FONMIN SHAIKH

SABAH AL-AHMAD AL-JABER AL-SABAH ON FEB. 23, I SOUGHT CONFIRMATION OF REPORTS IN THE KUWAIT PRESS THAT THE GOK, AND SHAIKH SABAH AL-AHMAD HIMSELF, WERE ACTIVELY SEEKING AN OPEC OIL PRICE INCREASE COMPROMISE IN ORDER TO ELIMINATE THE PRESENT TWO-TIER OIL PRICE STRUCTURE. SABAH AL-AHMAD CONFIRMED THESE REPORTS AND SAID THAT MFA UNDERSECRETARY RASHID AL-RASHID HAD BEEN TO DOHA AND TEHRAN AND WAS ARRIVING IN BAGHDAD FEB. 23 TO DISCUSS POSSIBILITY OF ARRANGING SUCH A COMPROMISE. HE SAID THAT HE HIMSELF HAD ALSO DISCUSSED THIS MATTER WITH SAUDI FOMIN PRINCE SAUD DURING HIS RECENT VISIT TO RIYADH. KUWAIT WAS, OF COURSE, COORDINATING ITS EFFORTS WITH QATAR WHICH HOLDS THE PRESIDENCY OF OPEC THIS YEAR.

2. SABAH AL-AHMAD NOTED THAT THE NEED FOR A COMPROMISE WAS NOT AS GREAT NOW AS IT MIGHT HAVE BEEN BECAUSE OF AN INCREASED OFFTAKE OF CRUDE OIL FROM KUWAIT, IRAN AND, PRESUMABLY, IRAQ BECAUSE OF THE DEPLETION OF OIL STOCKS IN THE US AND EUROPE AS A RESULT OF THE COLD WEATHER. HOWEVER, KUWAIT FELT THAT THE DUAL PRICING SYSTEM WAS AN UNHEALTHY ARRANGEMENT NOT CONDUCTIVE TO THE KIND OF COOPERATION WHICH SHOULD EXIST IN OPEC AND AMONG THE ARAB OIL PRODUCING COUNTRIES. HE REMARKED ON THE UAE'S DISCOMFORT AS THE RESULT OF CONTRASTING PRESSURES BOTH FROM SAUDI ARABIA AND IRAN. HE ALSO OBSERVED THAT THIS SITUATION WAS NOT POPULAR IN SAUDI ARABIA ITSELF AND THAT SOME OF THE LEADERSHIP THERE WAS UNDER SOME DOMESTIC PRESSURE AS WELL.

3. I INDICATED THAT IT WAS MY IMPRESSION THE SAUDIS
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WERE RATHER FIRM IN THEIR DETERMINATION TO HOLD THE OIL PRICE INCREASE TO FIVE PERCENT AND TOLD SABAH AL-AHMAD THAT INFORMATION FROM OUR CONSUL GENERAL IN DHAHRAN INDICATED THAT ARAMCO WAS ACTIVELY UNDERTAKING PREPARATIONS FOR INCREASE IN OIL PRODUCTION. I NOTED THAT, AS THE RESULT OF DELAYS IN OIL LOADINGS DUE TO BAD WEATHER, SAUDI ARABIA HAD PUMPED AS HIGH AS 13 MILLION B/D TO MAKE UP FOR THIS.

4. SABAH AL-AHMAD EXPRESSED VIEW THAT THIS WAS NOT GOOD FOR SAUDI ARABI ITSELF AND CERTAINLY DID NOT CONTRIBUTE TO OPEC COOPERATION. HE DISCOUNTED VIEWS THAT THE SAG WAS DOING THIS BECAUSE OF ITS CONCERN FOR DIFFICULT ECONOMIC CONDITIONS PREVAILING IN CERTAIN WESTERN EUROPEAN COUNTRIES AND THE THIRD WORLD, NOR WAS IT TRYING TO PROTECT THE FORMER FROM COMMUNISTS, AS SHAIKH YAMANI HAD BEEN QUOTED AS SAYING. SABAH AL-AHMAD CLAIMED THAT WHEN HE TOLD CROWN PRINCE FAHD THAT THIS WAS NOT SAUDI ARABIA'S RESPONSIBILITY, THE LATTER AGREED AND, WHEN QUERIED, YAMANI

DENIED EVER MAKING SUCH A STATEMENT.

5. I TOLD SHAIKH SABAH AL-AHMAD THAT, WHILE I AGREED THE TWO-TIER PRICE SYSTEM WAS NOT CONDUCTIVE TO GOOD COOPERATION IN OPEC, I BELIEVED THAT OPEC, BECAUSE OF ITS ALMOST MONOPOLY CONTROL OF SUCH AN IMPORTANT ENERGY COMMODITY, HAD TO EXERCISE A GOOD DEAL MORE RESPONSIBILITY TOWARD THE REST OF THE WORLD.

6. SABAH AL-AHMAD SAID HE WAS AWAITING RASHID'S RETURN FROM HIS TRIP AND INDICATED THAT KUWAIT WOULD MAKE A DETERMINED EFFORT TO SEEK AGREEMENT FOR A PRICE COMPROMISE SOMEWHERE BETWEEN THE SAID FIVE PERCENT INCREASE AND THE OPEC ELEVEN INCREASE OF TEN PERCENT, WITH THE DROPPING OF THE ADDITIONAL FIVE PERCENT INCREASE SCHEDULED FOR JULY 1, WHICH HE SAYS NOBODY REALLY WANTS.

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